NAPUS
Postmasters—Proudly Serving America

National Association of Postmasters of the United States

Testimony of

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Joint Hearing

Senate Subcommittee on Federal Financial Management, Federal Services, and International Security

And

House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia
Washington, DC

June 23, 2010

Chairmen and Subcommittee Members, thank you for asking me to participate in this hearing. This is my first opportunity to testify as President of the National Association of Postmasters of the United States. On behalf of the approximately 39,000 dues-paying NAPUS members, I want to assure the Subcommittees that Postmasters care deeply about the Postal Service and the continuance of a universal postal system. NAPUS members manage Post Offices of all sizes, and work in rural, suburban, and urban areas. We are proud of the work we do for the nation, and the service we provide to our communities.

It is in our national and communal interest to fortify our Postal system. The postal system is inherently governmental and is a constitutionally mandated function. However, unless Congress acts very soon, the Postal Service's financial situation will be far more daunting that it is today. The agency and its stakeholders are crawling out from a deep and broad recession that has crippled so many postal-dependent industries.

The Postal Service and its employees have performed extremely well in desperate times. Over the past two fiscal years, the Postal Service has reduced its costs by approximately $10 billion and cut its employment by more than 84,000 employees. However, these reductions do not come without consequences. Postmaster positions remain vacant throughout the country. In addition, reduced Post Office hours, understaffing, Post Office suspensions, late deliveries and a stressed workforce are testament to these cutbacks.

NAPUS firmly believes that Congress needs to address two underlying causes of the agency's current financial instability that impact postal services – a flawed 36-year-old statute that has resulted in the Postal Service possibly overfunding its retirement obligation by $75 billion, and a 4-year-old provision that implants an inaccurate charge for pre-funding retiree health costs. This year's prefunding charge is $5.6 billion. The Civil Service Retirement Fund overpayment is especially troubling because of its duration and its magnitude. It appears that the Office of Personnel Management passed upon an opportunity to remedy the problem in 2003. The health insurance pre-funding requirement, an obligation borne by no other institution, is unrelated to the Postal Service's actual retiree health liability. We would caution that Office of Personnel Management and Office of Management and Budget analysts are not neutral referees in assessing the Postal liabilities – the White House has consistently viewed the Postal Service as a "cash cow." In times of fiscal insufficiency, the Treasury looks to the Postal Service for revenue to offset huge budget deficits; and, in times of plenty, the Federal government garnishes revenue to enrich a surplus. Therefore it is crucial that Congress direct an independent and qualified umpire to settle on the correct postal liability, using a "years-of-service" methodology.

We understand that Chairman Lynch has under consideration a proposal, that strives to address the overly burdensome pre-funding requirement and more accurately calculate the Postal Service's pension obligations. NAPUS believes that this legislation should be considered expeditiously, and should exclude controversial provisions that would impede passage.

As we look beyond immediate retiree health care funding and pension reform – which are the most important issues – NAPUS believes that the Postal Service needs to generate greater revenue by maximizing its postal network, leveraging its national footprint, and exploiting its high-trust factor.

Digital commerce and online social networking challenges the Postal Service to adapt to the present and the future. A Postal Service relying solely on hardcopy correspondence, physical bill presentment and paper advertising may not have a bright future. While there continues to be a need for traditional postal products, the Postal Service must offer the American public innovative postal products and services. The agency needs to evolve and exploit its basic strengths – nationwide presence and impeccable trust.

In April, *the Pew Research Center for People and the Press*, reported that 83 percent of Americans view the Postal Service favorably – the Postal Service is the highest rated government agency. Moreover, even so-called angry Americans rated the Postal Service very favorably – 55 percent graded the agency's performance either "good" or "excellent". Consequently, the Postal Service must exploit the tremendous reservoir of good will to promote revenue generating prospects.

To achieve this goal, Congress needs to lessen legislative impediments to capitalizing on opportunities where they exist. For example, legislation and regulations needs to provide a broader definition of "postal products". The products cannot be solely hard-copy communications. There has been ample discussion about the Postal Service becoming more visible and active in financial services. Financial postal products date back a considerable amount of time; after all, the Postal Service issues postal money orders. For individuals who are uncomfortable with electronic fund transfers, there is no reason that Post Offices can not be the "certified" prompt payment agents for public utilities and other institutions. For example, the Post Office can accept electric or water bill payment as an agent of the utility and that date of receipt would the date of payment.

Congress should aid the Post Offices in becoming the "public portal" to the wide variety of federal, state, and municipal government services and products. Passport services provide a prime example of an existing Postal partnership with another federal agency. Partnerships with agencies such as the Department of Agriculture, Interior Department, Health and Human Services, the Social Security Administration, and the Patent and Trademarks Office could offer new opportunities for the Postal Service. In addition, state and local governments can make use of Post Offices and its trusted employees to offer credentialing, licensing and permitting services. This local-postal partnership can foster even closer relationships among the Postal Service, municipal governments and the American public.

Also, alliances should be fostered with commercial entities, so they can access outlying communities and markets, and, thereby, enter into win-win opportunities with the Postal Service. Space in large and medium sized Post Offices can be leased to commercial enterprises, such as coffee shops or snack bars. Lobby LCDs and postal vehicles could provide a medium for advertising and public service announcements. Growing business relationships can help underwrite the cost of universal postal accessibility.

The Postal Service should more aggressively implement and promote "intelligent mail bar-coding" and create new products stemming from it. Indeed, such potential postal products, as state vote-by-mail ballots, would benefit by such tracking systems. The Postal Service's retail and delivery network offers government institutions and commercial interests tremendous market opportunities.

Earlier this year, NAPUS submitted testimony to the Senate Appropriations Committee and suggested that Congress appropriate the $460 million currently authorized in statute to help reimburse the Postal Service for the continued maintenance of small and rural Post Offices. In 1970, Congress recognized that certain Post Offices would not be self-sustaining; however, the facilities are integral to a universal postal system. Post offices are the welcomed face of the federal government throughout the nation. Post offices are not simply stamp retailers. They are the origination, distribution, and destination points for commerce and communications. They are civic centers, providing community identity and, most importantly, an economic anchor for small businesses that provide jobs for America. In fact, the Urban Institute recently outlined some of these characteristics for further review by the Postal Regulatory Commission.

One recurring and consistently unpopular Postal Service request is for Congress to strike the statutory prohibition against closing a Post Office solely for economic reasons. In addition, I understand that there is consideration being given to establishing a commission to close Post Offices. Both of these proposals are deeply troubling, especially to rural and small communities. Both ideas threaten the existence of countless small and rural Post Offices, and undermine a universal postal system. Both proposals assume that the Postal Service is barred from closing Post Offices. This is not the case. So long as the Postal Service follows the legal requirements, including community notification, it can and does close Post Offices. The only restriction is that the Postal Service cannot close an individual Post Office for simply having expenses that exceed revenue. In fact, since 1971, the Postal Service closed 15%, or approximately 5,000 Post Offices.

Ironically, closing "money losing" Post Offices would barely scratch the surface of reducing the Postal Service's operating budget. Last year, the Postal Regulatory Commission calculated that the Postal Service would save $549 million or 0.7% of its operating budget if it closed <u>all</u> of its small and rural Post Offices. When adding to the equation the overwhelming public opposition to closing Post Offices, the proposal does not make good public policy. In March 2010, a nationwide *Gallup Poll* reported that 86% of Americans oppose closing Post Offices; in the same time frame, a *Washington Post-ABC News* survey also demonstrated widespread national opposition to the idea.

I would add that, as a Postmaster who once served as a Postal Operations Manager, I oversaw contract retail units. These are the units that normally assume postal operations in the wake of a Post Office closure. Many of those contracts did not go well, and they undermined the integrity of local Postal operations. I know that the Postal Service and others are advancing the idea that Wal-Mart and other "big-box" stores could replace Post Offices, providing space and personnel for postal retail functions. Shouldn't the Postal Service ask for Wal-Mart's business, rather than the Postal Service relinquishing its core business to Wal-Mart? Wal-Mart, K-Mart, Home Depot and Target's core competence is selling consumer commodities, not service – Post Offices sell service. Therefore, NAPUS strongly cautions against giving a green light to the Postal Service expanding its Post Office contracting capabilities to replace Post Offices. Post Offices are much more than retail counters. They are mail origination and destination points, which are integral to a national delivery network.

NAPUS believes that prior to reducing Post Offices and cutting postal services, the Postal Service should trim its expansive bureaucracy. NAPUS has advocated "de-layering" the bureaucracy since our 2003 testimony before the President's Commission on the Postal Service. 74 Postal Districts and 7 Postal Areas may not be conducive to these challenging economic times and declining mail volume. The latest information technology offers the Postal Service opportunities to restructure upper level management and its support functions in ways to increase efficiencies and save money. In addition, NAPUS had suggested numerous times that the Postal Service and the unions agree to cross-craft training that would yield a cost-effective, well-trained, highly efficient and flexible full-time career workforce.

In conclusion, Postal observers incorrectly argue that the new postal business model is a function of size. That is, the new model must be smaller and offer less. NAPUS believes that a viable Postal Service needs to offer the American public more products and services. In addition, despite repeated characterizations of agency as a business, it is not a business – the U.S. Postal Service is a constitutionally-established federally-operated public service. NAPUS looks forward to working with Congress to continue to provide the American public with the universal postal services that our citizens deserve and to which they are entitled.

Thank you for the opportunity to share NAPUS' views.